

TERMS & CONDITIONS

For the Licensed Operation of the Settlements Center Services By _"Settlements Center" Joint Stock Company

(

1. Main Concepts Used in the License

Main concepts used in this License are as follows:

Generator - a legal entity that has been issued a License for the generation of electricity (capacity).

Exporter - a legal entity that has been issued a License for the export of electricity (capacity) from the Republic of Armenia.

Distributor - a legal entity that has been issued a License for the distribution of electricity (capacity).

Electric Energy System Operator or system Operator – an entity licensed by the Commission, which functions are set forth in the Energy Law of the Republic of Armenia.

Power Market Rules or Market Rules – as set forth in the Energy Law of the Republic of Armenia.

License – this document issued to "Settlements Center" Closed Joint Stock Company by the Energy Regulatory Commission, certifying the Company's right and obligation to carry out the licensed activity in the area and in compliance with the conditions defined by this license.

Licensee – the "Settlements Center" Closed Joint Stock Company

Name of the Company

Licensee's Confidential Information – as set forth in the Energy Law of the Republic of Armenia.

Transmitter - a legal entity that has been issued a License for the transmission of electricity (capacity) via electric energy transmission network.

Commission - the Energy Regulatory Commission of the Republic of Armenia.

Importer - a legal entity that has been issued a License for the import of electric energy (capacity) into the Republic of Armenia.

Tariff – the price established in compliance with the Energy Law of the Republic of Armenia for the sale of the unit of electric energy and (or) capacity, for services rendered by Licensed activities in the electric energy sector (except for construction or restoration and exporting activities).

Technical Unavoidable Losses – an aggregate amount of unavoidable technical losses of electric energy determined by calculation methods, and commercial losses due to the errors of electric meters in the transmission network

Force Majeure – extraordinary and unpredictable causes or events, occurred regardless of the Licensee's will, including (but not limited to): acts of God, unusually severe actions of the elements such as floods, earthquakes, hurricanes or tornadoes; sabotage; terrorism; war; riots or public disorders; strikes or other labor disputes; to the extent such cause or event prevents the operation of the Licensee or delay or terminate any commitment made by the Licensee, despite his efforts to avoid, mitigate or eliminate the impact of such forces.

2. Effective Period of the License

- 2.1. This License becomes effective from the moment of its registration with the Commission.
- 2.2. This License is issued for a time period of ____one____ years.

3. Area of the Licensed Activity

- 3.1. With this License, the Licensee is given the right to carry out the Licensed operation across the entire territory of the Republic of Armenia.

4. Functions Comprising the Essence of the Licensed Activity

- 4.1. Starting the effective date of the License, the Licensee is given the exclusive right and obligated to carry out in the wholesale Power Market the following functions comprising the essence of the settlement service activity of the electricity generated (delivered by the Generator), transmitted, purchased by the Distributor,

imported, exported, as well as electric energy (capacity) for parallel work and swaps:

- a) metering of the electric energy (capacity) generated (delivered by the Generator), transmitted, purchased by the Distributor, imported, exported by the licensed entities operating in the power sector (Generators, Transmitters, Distributors, Importers, Exporters, Market Service Providers);
 - b) development of corresponding documents (acts, invoices) related to the management of financial flows by the licensed entities operating in the power sector (Generators, Transmitters, Distributors, Importers, Exporters, Market Service Providers) and submission to interested parties for signing;
 - c) operation and maintenance of the automated system for electric energy (capacity) commercial metering in the power sector, being the property of or controlled by the Licensee;
 - d) calculation and accounting of the amounts of technological unavoidable and actual electric energy losses;
 - e) coordination of scheduled and unscheduled testing of electric power (capacity) metering commercial and control devices;
 - f) metering of the inter-system flows with regional power systems;
- 4.2. The Licensee has no right to dispose, yield, pledge or transfer, on a contractual or other basis, completely or partially, the rights or obligation bestowed by this License to any other entity, without coordination with the ERC.
- 4.3. To exercise the obligations and exclusive rights bestowed on the Licensee by item 4.1 of this License, the Licensee shall have the right of free access to the premises (electric power wholesale market acceptance and hand-over points) that are under the control of the Generator, Transmitter and Distributor, request and receive from licensees all necessary information, including the information on electricity sale (purchase) actual losses and technical conditions of metering devices, in procedures defined by the Market Rules.

5. Terms of the Licensed Operation

- 5.1. The Operation of the Licensee shall comply with the requirements of this License, the Energy Law of the Republic of Armenia, the Market Rules, the RoA Legislation and other legal acts of the Republic of Armenia, as well as the legal acts established by the ERC.

- 5.2. The effectiveness of this License shall not apply to other legal entities engaged in joint operations with the Licensee, including other entities operating under the joint operation contract, as well as those legal entities that were founded or are operating with participation of the Licensee.
- 5.3. The contracts executed between the Licensee and other power sector Licensees must be consistent with the model contracts and/or mandatory terms established by the Commission. Such contracts shall become effective from the moment of their registration with the Commission in the established procedure.
- 5.4. Except with the ERC consent, the Licensee shall not become a shareholder or a stakeholder of 25% and more of any other electric sector Licensee or merge with other licensee.
- 5.5. Without the prior consent of the ERC, a shareholder or stakeholder with 25 % and more participation in the Licensee's Charter capital has no right to obtain 25% and more shares or stocks of the Licensee or another entity that has been issued a License for other operation in the energy sector, or have a share participation, as well as sell 25% and more shares.
- 5.6. In order to sell or otherwise transfer the right over the property essential for the implementation of the Licensed operation, the Licensee shall be required to apply to the Commission for authorization. In case of turning to the Commission under the basis defined by this item, the ERC shall issue a corresponding resolution within 60 days.
- 5.7. The Licensee shall be required to ensure the access to the buildings, structures related to the licensed operation, the database , etc for the representatives of the Commission and other bodies set forth in the law.
- 5.8. The Licensee shall be required to carry out the licensed activity in conformance with the principles of economic expediency.
- 5.9. In the event of an intention to make investments, the Licensee shall be required to submit to the Commission for approval in established procedures the Investment Development Plan in order to obtain the Commission's opinion on partial or complete inclusion of investments in the tariffs or rejection..
- 5.10. The Licensee shall be required to submit the information and reports on the licensed activity to the ERC, in procedures and forms established by the ERC.
- 5.11. The information forwarded by the Licensee to the Commission shall be considered public, unless considered confidential by the Licensee and marked "Company Confidential Information". The Licensee shall have the right to prove that the publication of the submitted data (including "Company Confidential Information") may harm the competitive interests of the company, which prevail

the public interest in its publication. The Commission can accept or reject the request from the Licensee not to publish such information.

- 5.12. The Licensee is responsible for the reliability of reports and any other information on the licensed activity submitted to the ERC.
- 5.13. The accounting and reporting on the licensed activity must be consistent with the requirements of legal acts established by the RoA Legislation and the Commission.
- 5.14. The Licensee shall be required to conduct separate accounting for the licensed activity.
- 5.15. Each year, before May 30, the Licensee shall be required to publish the financial statements on the licensed activity for the prior year in the printed press, according to the forms established by the ERC.
- 5.16. The accounting and reporting for the licensed activity must be conducted separately from the accounting and reporting for other types of activities carried out by the Licensee.
- 5.17. The Licensee shall be required to submit regulatory reports to the Commission according to the accounts and sub-accounts established by the Commission.
- 5.18. Upon the Commission's demand and in procedures established by the Commission, the Licensee shall carry out an auditing of his financial and economic activity.
- 5.19. The Licensee shall forward to the Commission the audit opinion or opinion of the inspection carried out by authorized bodies.
- 5.20. The licensee tariffs are set by the ERC in the procedures established by the law. The Licensee can set lower tariffs than ones established by the ERC, provided that the licensed activity is not and will not be jeopardized and that such decrease of tariffs is carried out at the expense of the Licensee's profit.
- 5.21. At any moment during the effective period of the License, at his own initiative, the Licensee can forward a request on the revision of the effective tariffs of the Licensee, according to the forms and procedures established by the Commission. At its own initiative and in accordance with its own procedures, the Commission can revise the effective tariffs of the Licensee. The set tariffs of the Licensee shall become effective in 30 days after the adoption of the resolution. The effective period of tariffs shall be at least 6 months, except for cases when the Licensee violates the License provisions.

- 5.22. The Licensee shall incur the costs associated with the Licensed Activity in accordance with the corresponding cost items (directions) included in the Tariff.
- 5.23. In the tariff calculations the ERC considers only costs, which are justified and essential for the implementation of the licensed activity.
- 5.24. The Licensee analyses the operation of the electric energy wholesale market, discusses disputable issues, and develops suggestions concerning the changes to the corresponding procedures established by the ERC.
- 5.25. The Licensee collects and stores metering data, develops database forms.
- 5.26. The Licensee has no right to conduct any other business activity without the ERC's consent.
- 5.27. In the event of opening, transfer of bank accounts or making similar other changes, the Licensee shall inform in writing the ERC.
- 5.28. All circumstances, which have led or may lead to a violation of the provisions of this License, should be immediately reported to the ERC.

6. Monitoring of the Licensed Activity

- 6.1. The ERC shall carry out a monitoring of compliance with the provisions of this License.
- 6.2. In order to ensure the monitoring of compliance with the License provisions, the ERC and its authorized representatives shall have the right of free access to the premises of the Licensee. In the course of such monitoring, the Licensee is required to be cooperative with and render assistance to the ERC or its authorized representatives.
- 6.3. On the premises of the Licensee, the authorized representatives of the ERC shall observe the company's internal rules and regulations, as well as norms established by the RoA Legislation.
- 6.4. With notification of the Licensee and in conformance with the RoA laws and in procedures and terms established by the Commission, but not more frequently than once a year, the Commission can select an independent audit company or independent auditors to carry out a study of the Licensee's compliance with the License provisions and the reliability of the reports submitted to the Commission. The costs of the study and the audit shall be included in the Licensee's tariffs. Such compensation of costs through the Licensee's tariffs may take place partially or not take place at all, if the study or the audit revealed that the Licensee

submitted inaccurate data to the Commission or concealed data from the Commission.

7. Penalties, License Suspension and Revocation

7.1. In the event of noncompliance, inappropriate compliance, or violation of the RoA Energy Law, the requirements of the legal acts of the Commission and the License provisions, in accordance with the RoA Energy Law, the ERC shall be authorized to exercise the following penalties:

- a) Notification;
- b) Tariff reduction;
- c) License suspension;
- c) License revocation.

The procedures of application of the above penalties shall be determined by the ERC.

7.2. In the event of the License revocation, the ERC and the Licensee shall be guided by the RoA Energy Law, as well as the RoA Legislation.

7.3. The License may be terminated also at the initiative of the Licensee, based on his application in writing. Until the issuance of corresponding ERC resolution on suspension or revocation of the License, the Licensee shall be required to continue his activity, in accordance with the License provisions.

7.4. Item 7.1 of this License shall not apply to the Licensee, if the recorded noncompliance with the License provisions was the result of Force Majeure.

8. Amendments to the Provisions of the License, Extension of Terms, Provision of a Duplicate of the License in Case of Loss

8.1. Amendments to the License can be made at the initiative of either the ERC or the Licensee, in accordance with procedures established by the ERC.

8.2. If the amendments are carried out at the initiative of the Commission, the Licensee must provide his consent, except for cases when such amendments are required to ensure proper implementation of the RoA laws.

- 8.3. Additional costs and/or the Licensee's actual (justified) losses due to the amendment of the License at the Commission's initiative shall be included in the Licensee's tariffs.
- 8.4. In the event of reorganization of the Licensee, or change of the name or location (address), the Licensee shall be required to submit an application to the Commission, in established by the ERC procedure, for re-registration of his License, within 15 days from the day when such changes became legally operative.
- 8.5. Within 15 days, the Licensee shall notify the ERC by written note about any changes in his foundation documents and bank account numbers.
- 8.6. In the event of the change of the Licensee's shareholders (founders), the Licensee shall be required to apply to the Commission for the introduction of corresponding amendments and supplements in the License.
- 8.7. In the event of losing the License (loss, destruction, etc.) or extension of its operation period, the Licensee shall be required to submit an application to the Commission in procedures established by the Commission. The process of rendering a duplicate of the License and/or extension of the License shall be regulated by the legal acts adopted by the Commission.

9. Other Provisions

- 9.1. The Licensee shall have the right to install, or require from other entities that have been issued a license for operation in the power sector to install metering systems.
- 9.2. In the course of the reorganizations of market structure and market development, the Commission shall have the right to make amendments and supplements in the License.
- 9.3. The Licensees' operations are transparent. In case of inquiry by the entities that have been issued a license for operation in the power sector and (or) by the interested parties, the Licensee shall be obliged to provide them necessary information and materials relating to the licensed activity, except for cases when such information and materials are considered to be confidential.

10. Notices

All official notices, applications, claims or other information associated with the License must be in writing and be delivered via messengers or registered mail, requiring a verification of receipt. Any notice or correspondence shall be considered effective from the moment of receipt.